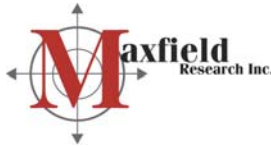


Senior Housing Update 2006



Maxfield
Research Inc.

615 First Avenue NE
Suite 400
Minneapolis, MN 55413
612.338.0012
www.maxfieldresearch.com



Dear Clients, Colleagues, and Friends,

AUGUST 2006. Maxfield Research is pleased to present our *Senior Housing Update 2006* for the Twin Cities market.

The impetus for this report is to provide the senior housing industry with current market data critical to understanding this rapidly growing and ever evolving industry on a local level. The data can be utilized to discover opportunities as well as flag areas that may be in danger of temporary saturation.

For over 20 years, Maxfield Research has been tracking the local senior housing market through an annual comprehensive survey of all market-rate and affordable senior housing developments in the Twin Cities Metro Area. The data collected from our survey provides the industry with the most comprehensive and current information available on local senior housing market trends.

The information contained in this year's report was collected by Maxfield Research through telephone surveys conducted with individual property managers and owners during the first and second quarters of 2006.

The survey is limited to "market-rate" and "affordable" senior developments and thus, excludes projects with a "deep" subsidy. This year's survey includes over 400 projects with nearly 29,000 units.

We hope you find the information in this report helpful. We would like to personally thank all of the property managers and owners that have responded to the survey now and in years past, for without the information they provide this report would not be possible.

Sincerely,

Mary C. Bujold
President



Ricky Wong
Research Analyst



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SENIOR HOUSING UPDATE 2006

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615 1st Avenue NE

Suite 400

Minneapolis, MN 55413

612-338-0012

www.maxfieldresearch.com

Disclaimer:

This report broadly assesses the market for senior housing in the Twin Cities as of first quarter of 2006. This report does not profess to determine the demand for specific senior housing developments at specific locations. Instead, we recommend such decisions be made with the assistance of a detailed market study that reveals the unique supply and demand characteristics of the market area under consideration.

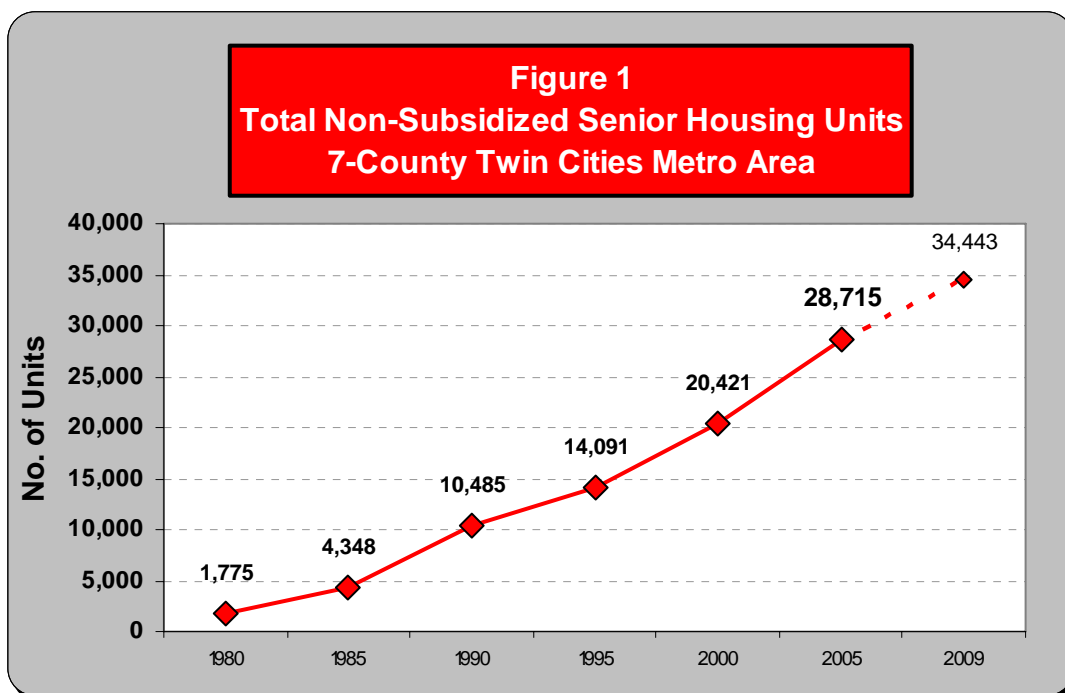
Acknowledgments:

Jay M. Demma authored this report with special research assistance from Ricky Wong.

THE STATE OF THE SENIOR HOUSING MARKET

- **GROWTH CONTINUES BUT CAUTION IN SOME SUBMARKETS**
- **CONTINUED PRODUCT DIVERSIFICATION FUELED BY DEMAND**

Growing acceptance of senior housing along with absolute growth in the number of senior households contributed to remarkable growth in the industry since 2000. The number of non-subsidized senior housing units is approaching 30,000. Barring any major market downturns, projects currently in the development pipeline could push the total to nearly 34,500 units by the end of the decade (see Figure 1 below).

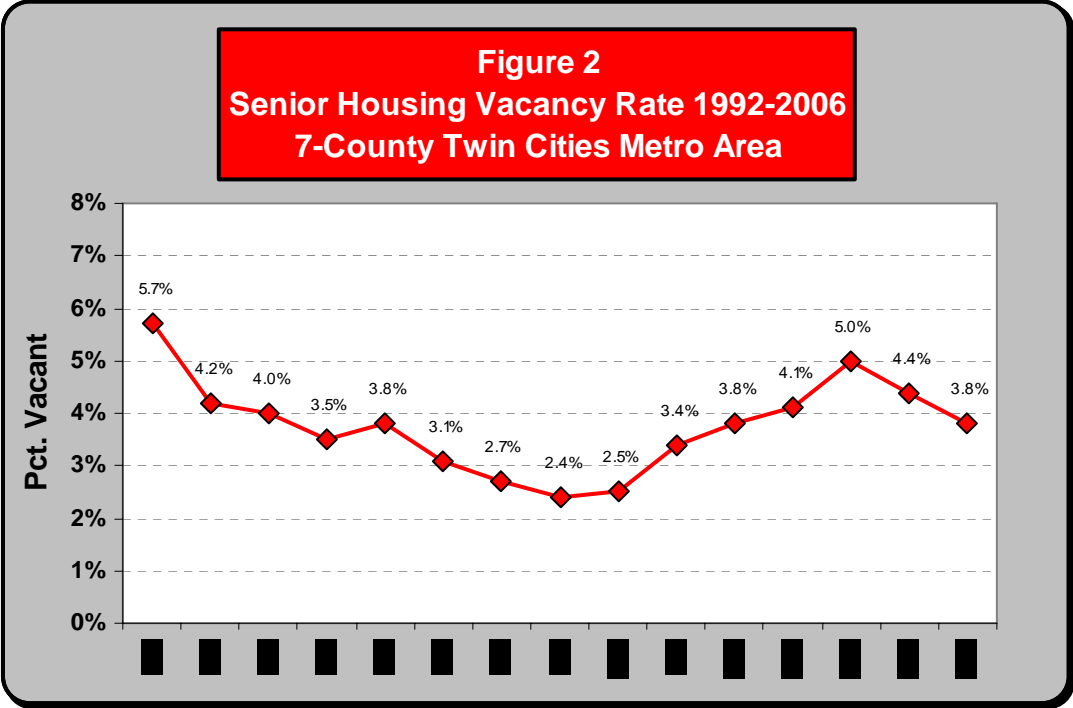


Developers of senior housing, both for-profit and non-profit, continue to aggressively seek untapped market niches. The result is a wide array of choice within the market. Households now have the option of choosing almost any type of housing style (e.g., single-family home versus high-rise apartment) that meets their ownership preference (i.e., rental or owner-occupied) and lifestyle needs (i.e., services available or not available) where age qualifications are restricted to people age 55 or older or age 62 or older. Such choice has broadened the pool that considers age-restricted housing attractive, thus fueling demand for additional units. This same choice, however, has also exposed certain product niches as being vulnerable to changing consumer tastes, preferences, and demographics.

THE STATE OF THE SENIOR HOUSING MARKET (cont'd)

- **A SLOWING OF CONSTRUCTION CONTRIBUTES TO DECREASED VACANCY RATE**
- **SOME PRODUCT CATEGORIES PERFORMING BETTER THAN OTHERS**

Our survey indicates that the overall vacancy rate by the 2nd Quarter of 2006 was 3.8%, a decrease of 0.6% over the previous year. This marked the second year in a row that the overall vacancy rate had decreased (see Figure 2 below).



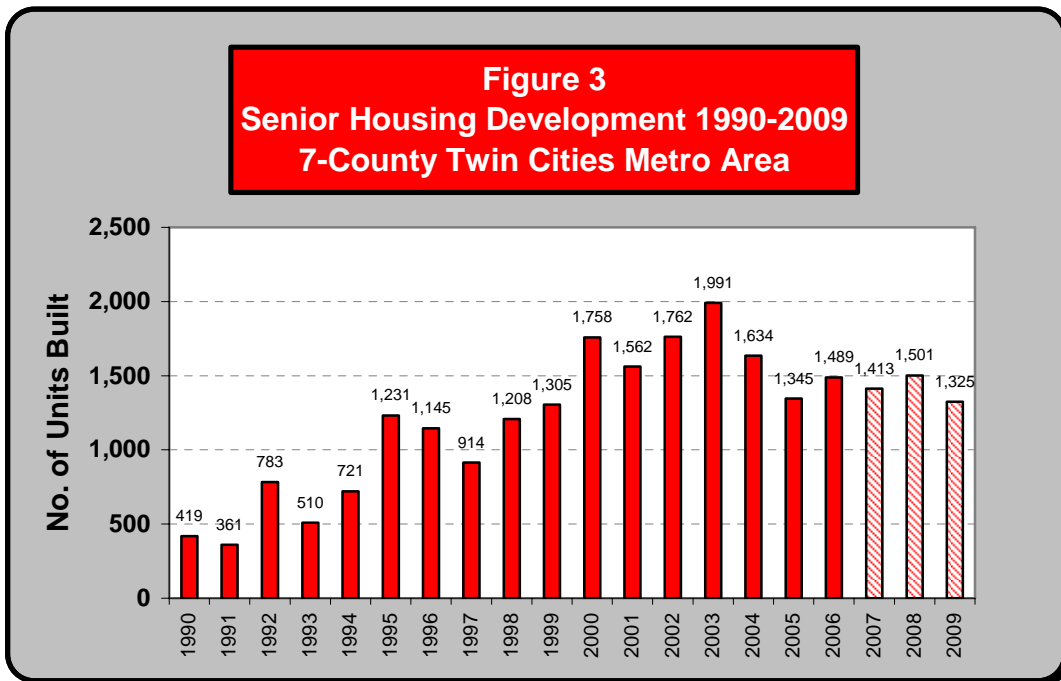
While the market for senior housing in the Twin Cities remains strong, the industry is becoming increasingly competitive because of greater product diversity. Current demographic trends indicate that growth in demand for service-oriented senior housing will wane somewhat over the short-term as these product niches will be marketing to a smaller Depression-era generation. Conversely, ownership product marketed to active and healthy households will continue to grow as the baby boom generation begins to discover these products. Furthermore, recent national research indicates that the baby boom will not settle for more of the same senior housing products. Therefore, in-depth research will become increasingly important in order to identify appropriate locations, products, services, programming and market niches that will set a project apart from the existing product in an ever-increasing competitive market place.

CONSTRUCTION TRENDS

- **CONSTRUCTION OF NEW UNITS SLOWED IN 2005, BUT WILL REBOUND SLIGHTLY IN 2006**
- **NEW DEVELOPMENT WILL STABILIZE THROUGH END OF DECADE**

During 2005, the Seven-County Twin Cities Metro Area added 1,345 new senior housing units, less than what was projected and represents a decline of over -600 units from the peak construction year of 2003. The decline is attributed to increased land costs, a slowdown in the overall housing market, and temporary saturation in certain product niches, in various submarkets.

As Figure 3 below shows, the Metro Area experienced nominal growth during the early 1990s, but activity increased by the end of the decade. The first half of the 2000s, however, saw tremendous growth with an average of 1,740 new units added in each year. The number of market-rate/affordable senior housing units currently in the planning process could produce an additional 1,400 senior housing units annually in the Twin Cities Metro Area over the next three years.



DEFINITIONS OF SENIOR HOUSING

In order to understand potential opportunities within the senior housing market, it is critical to understand the differences between the various senior housing products offered in the market today. Maxfield Research Inc. has developed the following senior housing classifications based on the level (or lack) of support and/or personal care services offered.

ADULT AFFORD- ABLE

We define **“Affordable”** senior housing as units targeting modest income households. These projects usually have ceilings on the income of residents and rents, which are typically set to be affordable to persons with incomes of up to 60% of the County median. Affordable projects contrast with deeply subsidized projects where rents are typically based on a sliding scale (generally 30 % of adjusted household income) and are geared towards very-low income seniors. Affordable Housing usually receives some type of shallow subsidy, and historically has been financed with Tax Increment Financing, Tax-Credit Financing or through a special County/City sponsored tax-levy. Such projects can be free-standing developments but increasingly consist of units within a mixed income-building where market rate units are also present. Usually, the Affordable product offers few services unless the units are within a market rate building with Congregate services available on an optional basis.

ADULT MARKET RATE

The least service-intensive product, termed **“Adult”** projects, offers virtually no support services or health care, but restrict tenancy to those ages 55 or 62 and over. These projects are usually apartment-style rentals, but also include age-restricted condominiums, cooperatives, (for-sale and rental) townhome developments and even detached housing units. Some of these developments provide scheduled transportation and limited activities for residents.

CONGRE- GATE

“Congregate” projects offer support services such as transportation, meals and housekeeping either for an additional cost (optional services) or included in the monthly fee (service-intensive). These developments tend to attract an older and frailer resident than do Adult projects. Congregate units are also much more likely to be occupied by a single person (typically 75% to 85% of the units) than Adult projects which can have as many as one-half or more of their units occupied by couples.

ASSISTED LIVING

The most service-intensive product types, Assisted Living and Memory Care, offer the highest level of services short of a nursing home. **“Assisted Living”** housing typically includes at least two daily meals as well as all of the support services found in Congregate housing. Most distinguishing however, is that Assisted Living housing also provides 24-hour staffing and emergency response along with the availability of personal care assistance (bathing, dressing, grooming, etc.).

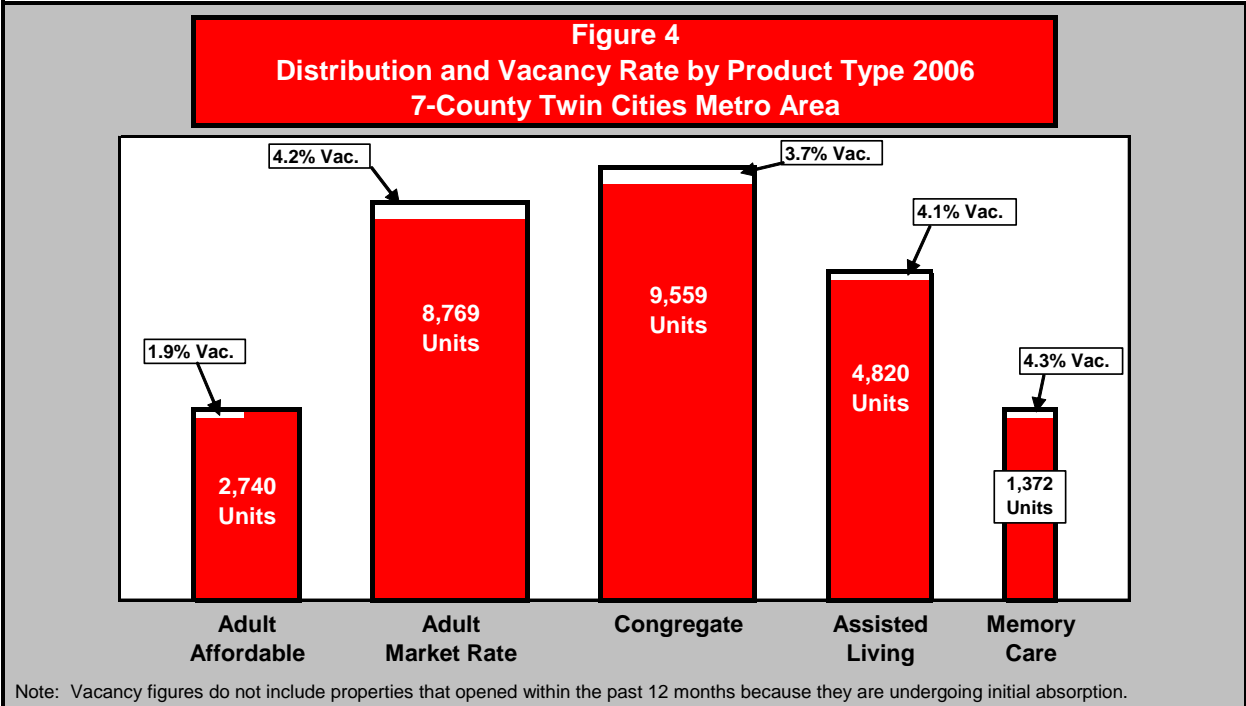
MEMORY CARE

“Memory Care” housing is a specialized Assisted Living product specifically designed and programmed for persons afflicted with Alzheimer’s disease or other dementias. These facilities include all of the same services as traditional Assisted Living, additional safety through secured-access doors and/or wander-guard systems as well as higher staff-to-resident ratios. Furthermore, special active (stimulating) and passive (calming) programming is involved to respond to this population’s needs. While Memory Care facilities can be freestanding buildings, just as often, they comprise a wing of a traditional Assisted Living facility.

DISTRIBUTION OF PRODUCT TYPES

- **CONGREGATE REMAINS THE LARGEST CATEGORY OF SENIOR HOUSING, BUT CONTINUES TO LOSE MARKET SHARE TO ADULT UNITS**
- **AFTER SUBSTANTIAL GROWTH IN THE 1990s, ASSISTED LIVING AND AFFORDABLE UNITS ARE LOSING MARKET SHARE**

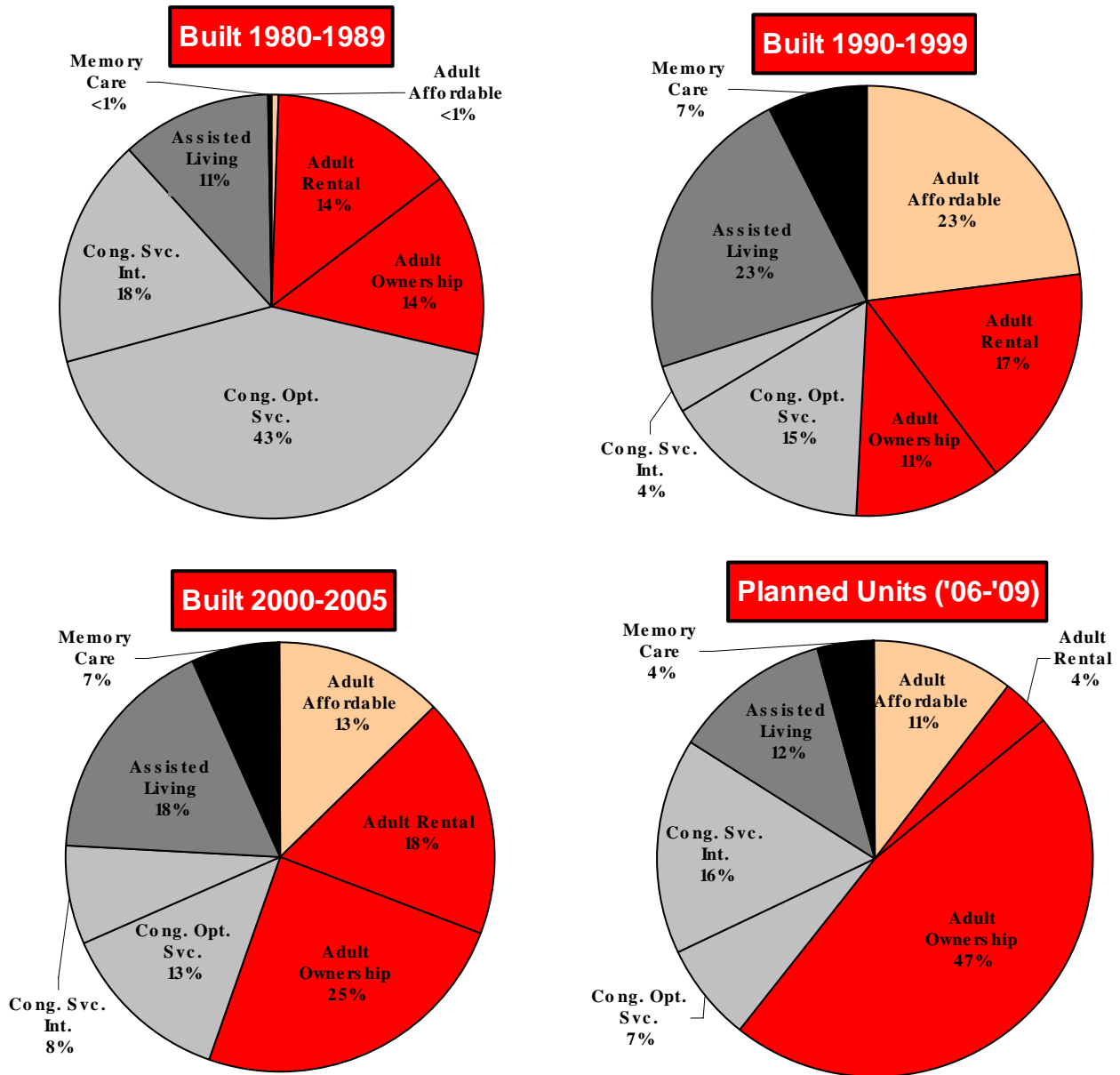
Figure 4 below displays the relative size of the five different senior housing classifications and their associated vacancy rates [for projects built prior to 2nd Quarter 2005]. We can see from the figure that Congregate housing remains the largest category with about 35% of all units, despite in-roads in the last 10 years from each of the other four categories. The figures also shows that each category is currently experiencing vacancy rates below industry equilibrium standards, which are 2% for Affordable product, 5% for Adult and Congregate product, and 7% for Assisted Living and Memory Care.



While senior housing development during the 1980s concentrated on Congregate housing, today’s senior housing has evolved into a complete continuum of products designed to accommodate the lifestyle needs of extremely diverse market segments; from younger active

seniors who may simply desire to live among peers and desire freedom from maintaining a single-family home, to very frail seniors in need of housing with support and personal care services. Since 2000, development of owner-occupied housing has surged, responding to market demand and some market sensitivity to independent rental housing. The pie charts below show how Adult ownership housing is projected to account for nearly half of all senior housing units built through the end of the decade.

**DISTRIBUTION OF SENIOR HOUSING
7-COUNTY TWIN CITIES METRO AREA**

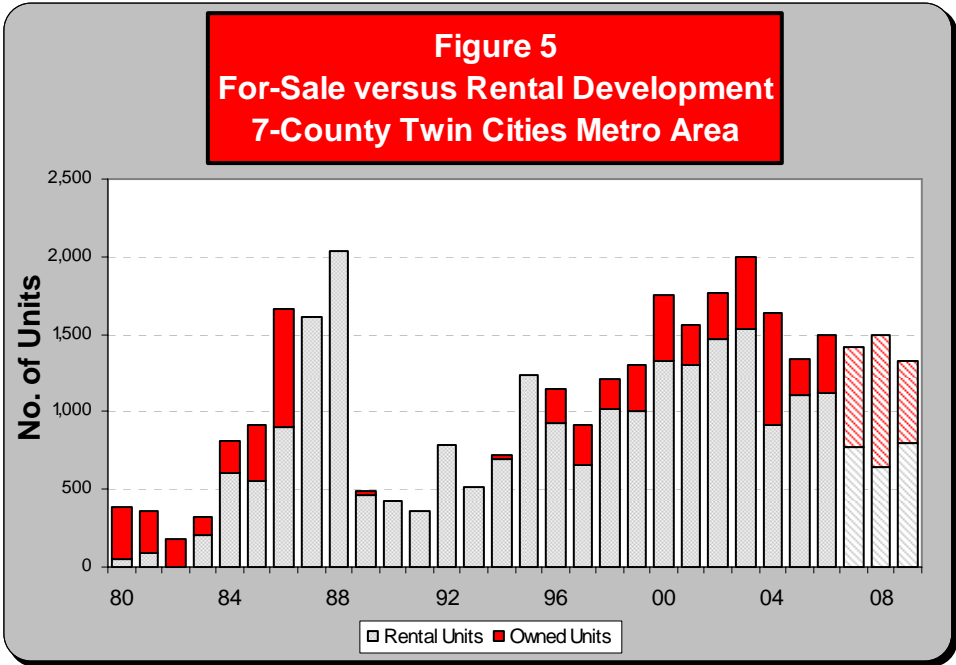


REVIVAL IN OWNER-OCCUPIED HOUSING

- **DEVELOPMENT OF SENIOR OWNERSHIP HOUSING CONTINUES TO LEAD SENIOR HOUSING CONSTRUCTION WITH AN AVERAGE OF 350 UNITS PER YEAR**

Although 80% of Metro Area senior units are rental, the development of senior ownership housing remains strong and growing. The resurgence in cooperative and condominium housing, combined with the recent introduction of age-restricted townhomes and detached villas communities are all creating more diverse options for today’s seniors.

As of the 2nd Quarter of 2006, there were nearly 6,000 age-restricted owner-occupied housing units in the Twin Cities Metro comprising 19.6% of the Metro Area’s non-subsidized senior housing. This figure represents a significant increase since 1995, when 15% of the Metro senior units were owner-occupied. If all of the proposed for-sale senior units are built as planned, owner-occupied housing would account for almost 23% of the Metro’s non-subsidized senior units by 2009. As Figure 5 shows, after nearly a decade of very little construction, development of owner-occupied senior housing has averaged about 350 new units each year since 1996. Based on projects in the development pipeline, we anticipate that number to grow substantially over the next several years.

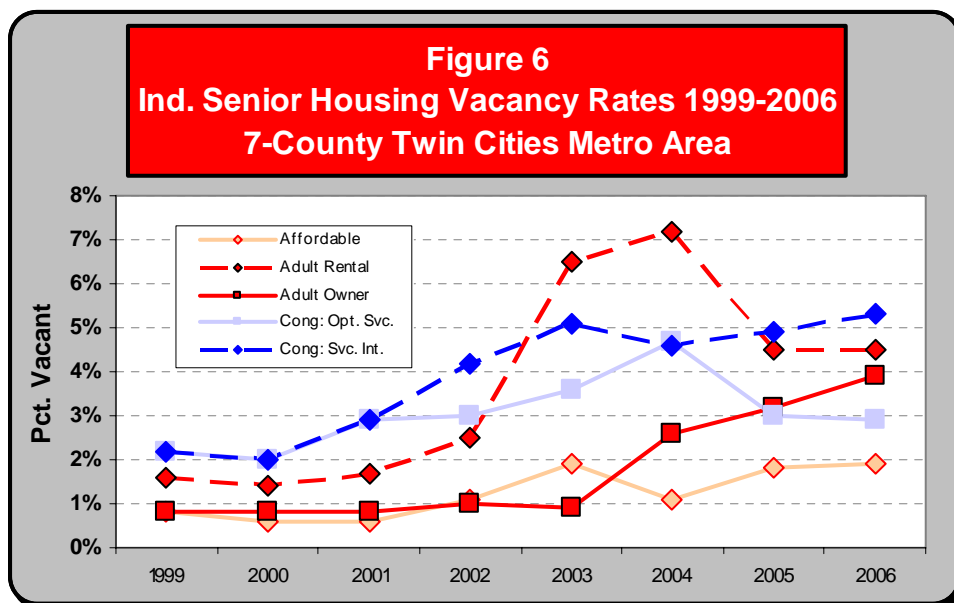


MARKET CONDITIONS BY PRODUCT TYPE

- **DEMAND FOR MEMORY CARE STRONGER THAN EVER**
- **SHARP INCREASE IN SUPPLY OF OWNERSHIP PRODUCT RESULTS IN MORE EXISTING UNITS FOR-SALE**
- **SLOWDOWN IN CONSTRUCTION OF RENTAL PRODUCT RESULTS IN ABSORPTION OF EXCESS SUPPLY AND LOWER VACANCY RATES**

Throughout the 1990s, the Twin Cities Metro Area’s senior projects saw substantial declines in their vacancy rates with the overall senior vacancy rate declining from nearly 9.0% in 1990 to 2.4% in 1999. In the early 1990s, the declining vacancies resulted from a slowdown in development of new units which allowed demand to “catch-up” with the large supply of mostly Congregate housing that was developed during the boom of the mid-to late 80s.

As development resumed in the mid-1990s, the diversity of senior housing product introduced (Affordable, Adult [rental and ownership], Assisted Living and Memory Care) to the market allowed the industry to tap into market segments that were previously underserved. Although construction surged in the early part of this decade, a recent slow down has allowed some excess supply to absorbed, which resulted in a decrease in vacancy rates.

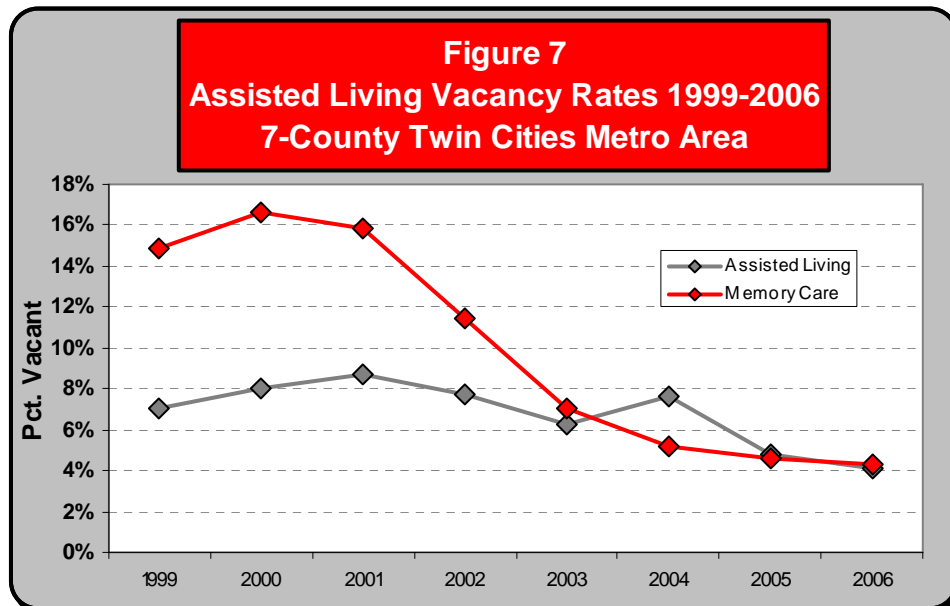


MARKET CONDITIONS BY PRODUCT TYPE (cont'd)

Despite the drop in the overall vacancy rate, some product types have seen an up-tick in vacancies over the past two years, notably Adult Owner product. (See Figure 6) This is because construction of new Adult Owner projects remains strong, creating some excess supply among older developments. Prospective buyers are also more cautious due to the slow down in the overall housing market and concerns among seniors regarding their ability to sell their homes.

Meanwhile, vacancy rates for Assisted Living and Memory Care housing in the Twin Cities Metro Area continue to decline. The Metro’s traditional Assisted Living facilities are currently operating with a 4.1% vacancy rate, while Memory Care projects are experiencing a 4.3% vacancy rate Metro-wide. Congregate, Service-Intensive product is increasing in vacancy, primarily because most of this product is older in age and competes directly with today’s newer assisted living facilities.

As indicated in Figure 7, the vacancy rate for Memory Care has dropped for the sixth year in a row, declining from 16.6% in 2000 to 4.3% in 2006. The dramatic decline in vacancy can be attributed to a slight slowdown in the construction of new units during this period, allowing for growing demand to absorb excess units, as well as an increased awareness of the concept, which has generated additional demand.



MARKET CONDITIONS BY PRODUCT TYPE (cont'd)

- **COSTS FOR SERVICE ENRICHED SENIOR HOUSING CONTINUING TO RISE AS HEALTH CARE COSTS INCREASE**
- **NEW CO-OPS TARGETED TO UPSCALE MARKET HAVE PUSHED AVERAGE OWNERSHIP PRICES DRAMATICALLY UPWARD**

This is the second year Maxfield Research has reported on average monthly fees and unit prices for senior housing in the Twin Cities Metro Area. Figure 8 below displays the averages by unit type. As one can see from Figure 8, average prices rise dramatically as more services are available to residents.

Monthly fees and unit prices have generally remained stable over the past year for condos, affordable rental, market-rate rental, and congregate projects with intensive services. The average increase in prices for these product types was about 2%. Prices at memory care projects increased an average of about 5%, while co-ops and congregate projects with optional services increased prices well above 5%. The increase in prices among co-ops is due to the introduction of several new upscale projects into the market. For congregate projects with optional services, the increase in prices is because of increased demand without a substantial increase in supply.

Figure 8
Average Monthly Fees and Purchase Prices
by Senior Housing Product Type, 2nd Quarter 2006
7-County Twin Cities Metro Area

Unit Type	Adult Ownership			Rental					
	Condo/TH (Unit Price)*	Co-op		Adult Aff.	Adult Mkt. Rate	Cong. Opt. Svc.	Cong. Svc. Int.	Assisted Living	Memory Care
		Dwnpmt.	Mon. Fee						
Studio	--	--	--	--	--	\$723	\$1,314	\$2,485	\$3,785
1BR	\$98,900	\$47,700	\$588	\$600	\$842	\$1,080	\$1,487	\$2,745	\$4,037
1BR/d	\$120,900	\$71,600	\$771	\$800	\$982	\$1,501	\$1,598	\$2,822	--
2BR	\$193,900	\$91,900	\$888	\$764	\$1,170	\$1,612	\$2,164	\$3,252	\$4,427
3BR	\$180,600	\$149,600	\$1,036	\$894	\$1,306	\$2,110	\$2,287	--	--

* Condominiums and townhomes often have a monthly association fee that covers water, sewer, insurance, exterior maintenance, etc., which are services typically included in the monthly fee of other senior housing types.

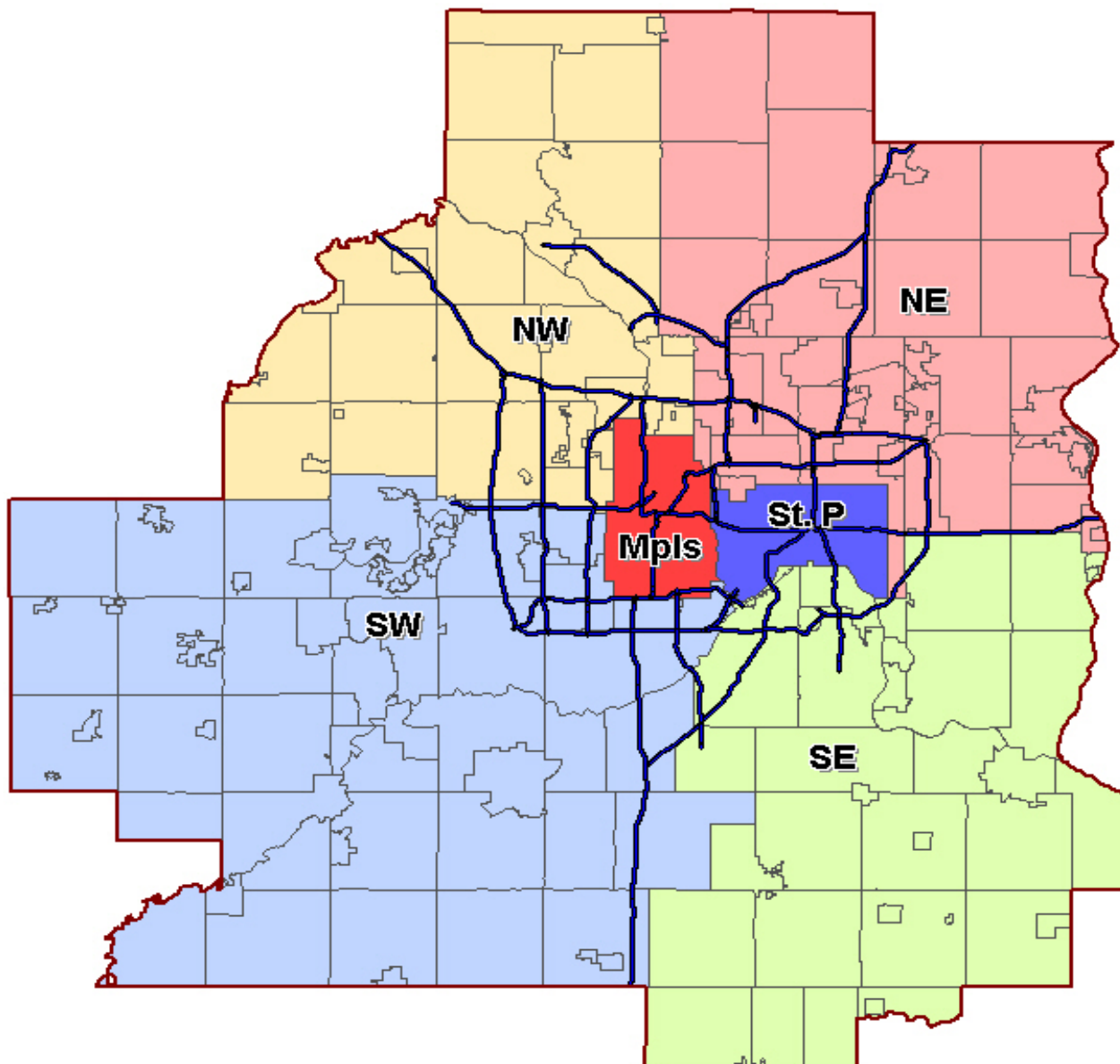
Note: Figures are based on quoted fees and prices and have not been adjusted for utilities or services.

Cooperatives provide prospects with an option of paying a modest downpayment because of the blanket mortgage on the property which is paid over time. This compares to most condominiums where the senior buyer typically pays cash. We are also seeing an increase in the number of coop buyers that prefer to pay cash for their units, however some financing structures limit the downpayment to no more than 95% of the purchase (share) price.

GEOGRAPHIC DISTRIBUTION OF SENIOR HOUSING

For the purpose of this report Maxfield Research has divided the 7-County Metro Area into six quadrants; Minneapolis, St. Paul, the Northeast Metro, Northwest Metro, Southeast Metro and the Southwest Metro; shown on the map below.

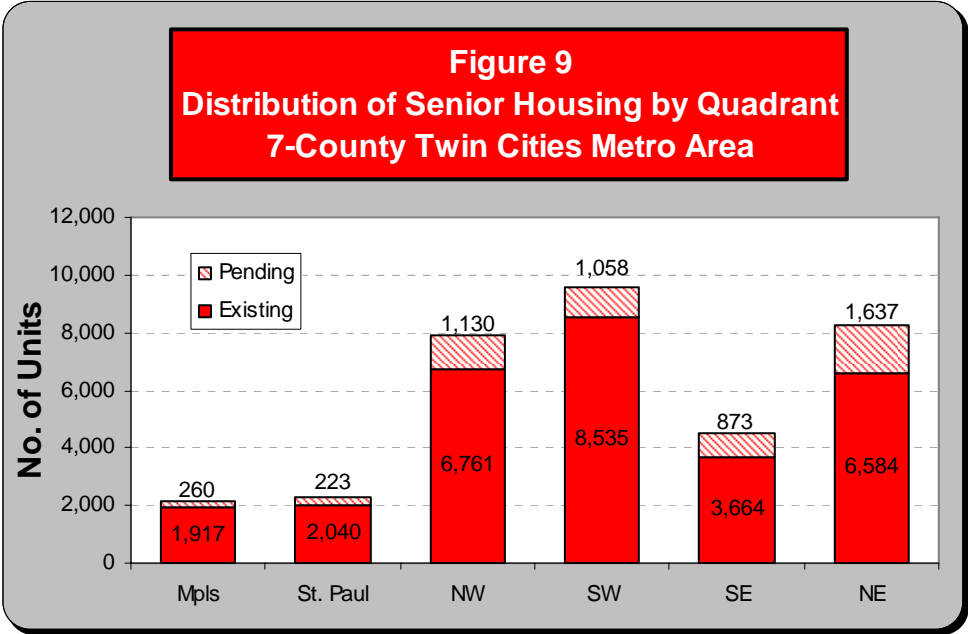
Twin Cities Quadrants



GEOGRAPHIC DISTRIBUTION OF SENIOR HOUSING (cont'd)

- **ONCE AGAIN, THE NORTHEAST METRO HAS THE MOST UNITS PENDING**
- **MINNEAPOLIS EXPERIENCED A NET DECREASE IN THE NUMBER OF SENIOR HOUSING UNITS**
- **THE NUMBER OF AFFORDABLE UNITS INCREASED SHARPLY IN ST. PAUL OVER THE PAST YEAR**

Clearly, the suburban quadrants have captured the majority of non-subsidized senior housing development to date. The Southwest Metro has, by far, the largest number of senior housing units (8,535 units) and comprises 29% of the Metro Area’s market-rate and affordable senior housing units. The Northwest quadrant has the second largest number of units (6,761 units), closely followed by the Northeast (6,584 units) each with between 22% and 23% of the Metro total, and then the Southeast (3,664 units) with 12%. St. Paul (2,040 units) and Minneapolis (1,917 units) each account for 7% of the Metro Area’s non-subsidized senior units. Figure 9 shows the number of existing and pending senior housing units in each quadrant.



GEOGRAPHIC DISTRIBUTION OF SENIOR HOUSING (cont'd)

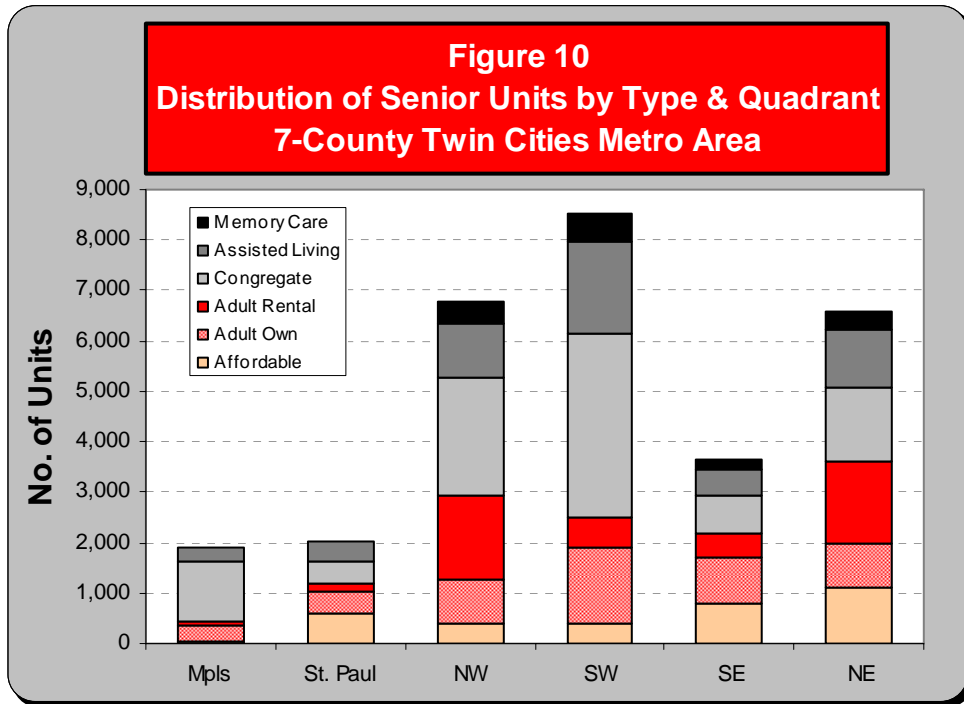


Figure 10 shows how Adult Rental projects have proliferated in the Northwest, where the units comprise 25% of the quadrant’s senior housing and 37% of the Metro Area’s Adult Rental units. Many of the units are found in older buildings that have been converted from general occupancy to moderately-priced senior housing.

Congregate housing dominates in Minneapolis where it comprises nearly 62% of the City’s units and in the Southwest where it accounts for 43% of all senior housing units. Congregate projects comprise anywhere from one-fifth to one-third of the units in the remaining suburban quadrants and in St. Paul. Overall, 37% of the Metro Area’s Congregate units are located in the Southwest Metro.

While Affordable housing product accounts for only 11% of all units surveyed, it comprises 29% of the senior housing units in St. Paul.

MARKET CONDITIONS BY QUADRANT

- SHARP INCREASE IN SUPPLY OF ADULT OWNERSHIP UNITS RESULTS IN INCREASED VACANCIES IN MOST QUADRANTS
- VACANCY RATE OF ADULT RENTAL UNITS DECLINES IN NORTHEAST METRO
- THE MARKET FOR ASSISTED LIVING AND MEMORY CARE IS TIGHT IN MOST QUADRANTS

Figure 11
Senior Vacancy Rates by Quadrant & Product Type*
7-County Twin Cities Metro Area

	Adult Affordable				Adult Ownership				Adult Rental				Congregate (Opt. Svc.)			
	Proj	Units	Vac.	Pct.	Proj	Units	Vac.	Pct.	Proj	Units	Vac.	Pct.	Proj	Units	Vac.	Pct.
Mpls.	2	33	0	0.0%	3	325	11	3.4%	2	93	12	12.9%	7	919	15	1.6%
NE	21	1,067	33	3.1%	9	715	38	5.3%	31	1,450	69	4.8%	12	957	32	3.3%
NW	9	378	8	2.1%	11	754	36	4.8%	20	1,602	95	5.9%	18	1,820	60	3.3%
SE	14	729	6	0.8%	14	791	48	6.1%	9	473	8	1.7%	4	340	16	4.7%
St.P	4	176	2	1.1%	7	426	17	4.0%	2	138	3	2.2%	2	171	6	3.5%
SW	8	357	4	1.1%	20	1,428	24	1.7%	10	574	6	1.0%	21	2,035	50	2.5%
Total	58	2,740	53	1.9%	64	4,439	174	3.9%	74	4,330	193	4.5%	64	6,242	179	2.9%
Avg Size	47				84				59				98			
	Congregate (Svc. Int.)				Assisted Living				Memory Care				Total			
	Proj	Units	Vac.	Pct.	Proj	Units	Vac.	Pct.	Proj	Units	Vac.	Pct.	Proj	Units	Vac.	Pct.
Mpls.	2	268	19	7.1%	6	268	9	3.4%	1	11	0	0.0%	23	1,917	66	3.4%
NE	5	393	38	9.7%	18	1,123	42	3.7%	14	347	13	3.7%	110	6,052	265	4.4%
NW	3	362	8	2.2%	22	950	56	5.9%	12	368	14	3.8%	95	6,234	277	4.4%
SE	3	414	8	1.9%	10	451	17	3.8%	9	195	18	9.2%	63	3,393	121	3.6%
St.P	4	245	2	0.8%	4	393	10	2.5%	1	30	0	0.0%	24	1,579	40	2.5%
SW	11	1,635	100	6.1%	30	1,635	62	3.8%	23	421	14	3.3%	123	8,085	260	3.2%
Total	28	3,317	175	5.3%	90	4,820	196	4.1%	60	1,372	59	4.3%	438	27,260	1,029	3.8%
Avg Size	118				59				23				65			

* Does not include projects that opened within the past 12 months because they are undergoing initial absorption.

MARKET CONDITIONS BY QUADRANT (cont'd)

Figure 11 shows vacancy rates by product type for each of the six markets examined. Overall vacancy rates ranged from 2.5% in St. Paul to 4.4% in the Northwest and Northeast quadrants. The Affordable housing market continues to be tight across the Metro Area, except in the Northeast Metro where some of the vast amount of supply is beginning to age and lose its competitiveness. The market for Adult Ownership product is also becoming more competitive as additional supply is pumped into the market.

The market for Congregate projects with optional services has become tight over the last two years with vacancy rates ranging from 1.6% in Minneapolis to 4.6% in the Southeast Metro. Most of the other submarkets have vacancy rates of between 2.5% and 3.5%. The improved market conditions are due to a constriction of supply caused by a lack of new construction.

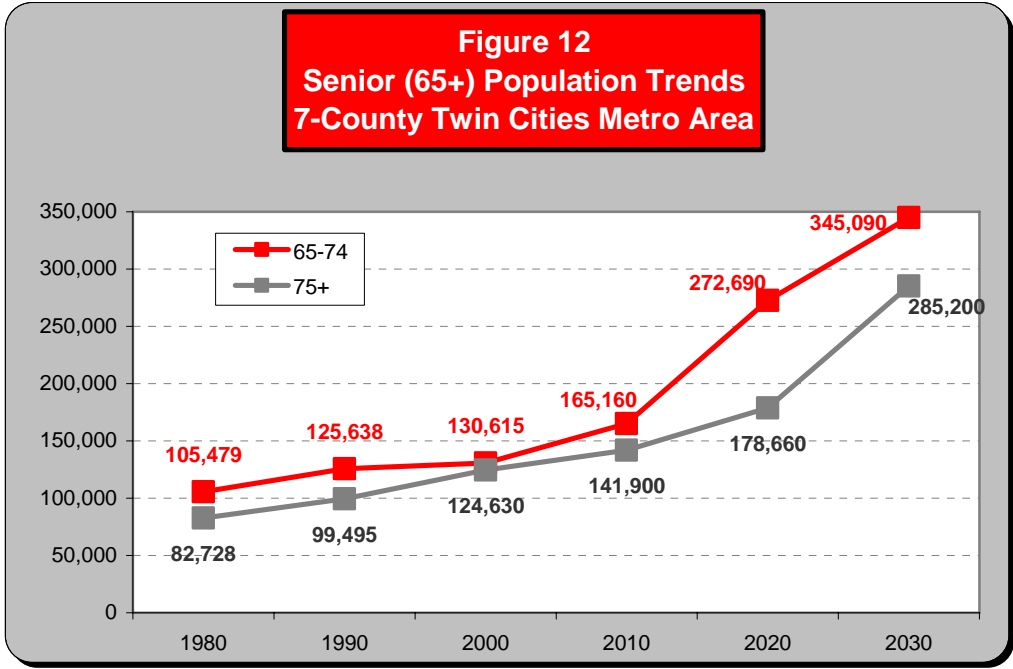
Assisted Living vacancy rates are well below equilibrium for all six submarkets with Northwest Metro being the only submarket with a vacancy rate above 4%.

Memory Care is strong in most submarkets ranging from 0.0% in Minneapolis and St. Paul to 9.2% in the Southeast Metro. Most of the submarkets have vacancy rates ranging from 3.3% to 3.8%. As mentioned previously, memory care housing has achieved the most significant gain in market acceptance and penetration over the past two to three years.

DEMOGRAPHIC FACTORS

- **THE NUMBER OF PERSONS AGE 65 AND OLDER IS PROJECTED TO NEARLY DOUBLE BETWEEN 2000 AND 2020**
- **PROJECTED GROWTH IN THE NEXT 15 YEARS WILL BE CONCENTRATED AMONG YOUNGER SENIORS (AGE 65-74), WHICH WILL FUEL DEMAND FOR NEW AMENITY-RICH PRODUCTS**

As of 2000, there were 255,000 persons age 65 and older and 124,630 persons age 75 and older in the Twin Cities Metro Area. It is projected that the Metro Area’s senior population will increase by 52,000 seniors (20%) between 2000 and 2010. Nearly two-thirds of this growth, however, will be among younger seniors (see Figure 12 below).



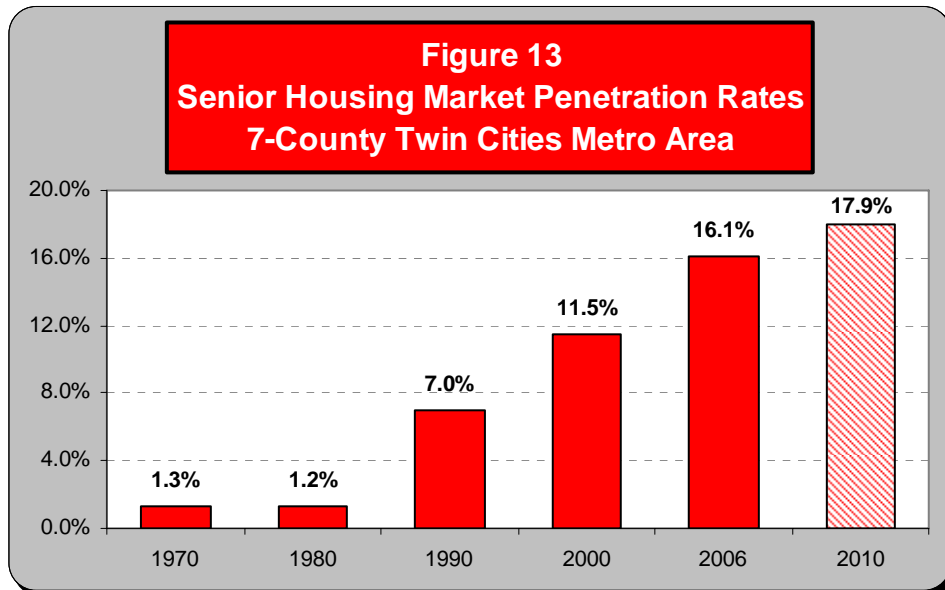
The aging baby boom population should ensure that demand for senior housing will continue to grow well into the first half of this century, with the Metro Area’s senior population expected to more than double in size over the next three decades. Growth in the senior population will begin to accelerate shortly after 2010 as the leading edge of the baby boom begins entering their mid-60s. Because the vast majority of baby boomers often indicate in surveys that they want to retire close to where they currently live, developers of large-scale (1,000+ units) active adult housing, who have primarily located their product in the Sun Belt, are beginning to push their concept into larger metro areas of the Northeast and Midwest. It is likely the Twin Cities will see such a development within the next three to five years.

DEMOGRAPHIC FACTORS (cont'd)

Between 2010 and 2020, the Metro Area senior population is projected to gain an additional 144,000 seniors, with expected increases of 107,500 persons (65%) age 65 to 75 and 37,000 persons (26%) age 75 and older. Demand for senior housing with services will escalate dramatically after 2020 with the aging of the baby boom into their late 70s. Between 2020 and 2030, the Metro Area’s senior population is projected to grow by 179,000 persons (40%) equating to 630,290 persons age 65 and older and 285,200 persons 75 and older by 2030.

The stronger growth in younger seniors, their obvious preference for ownership housing, and the expansion of homemaking and home health care services for the frail elderly should allow for-sale senior product to capture an increasing share of market demand over the next several decades. Meanwhile, growing market acceptance of senior housing when combined with appreciating home values and increased wealth of future seniors should translate to a steady growth in the number of frail seniors that can afford market rate Congregate and Assisted Living housing.

Between 1970 and 2000, the percent of Metro Area senior (65+) households residing in non-subsidized senior housing increased from roughly 1.3% to 11.5%, with much of this growth occurring between 1980 to 1990 when the percentage increased from 1.2% to 7.0% (see Figure 13).



If projected construction trends hold-up through the end of the decade, we anticipate 18% of all households age 65 and older will reside in a non-subsidized senior housing unit by 2010.

CONCLUSIONS

At present, the Twin Cities Metro Area's senior housing market remains strong with pent-up demand still existing for additional senior housing product. Barring overbuilding in the short-term, though, demand over the next two decades should remain strong for ownership products such as cooperatives, condominiums and townhomes, which are geared towards the active, independent lifestyles of recent retirees. While demand for more service-intensive senior housing may not see the same growth potential, life expectancies and seniors' incomes are increasing and greater awareness and acceptance of these housing options should equate to higher capture rates. Furthermore, the leading edge of the baby boom will begin entering their mid-70s shortly after 2020 and thus, additional Assisted Living and Memory Care housing will continue to be needed as the population continues to age and as the public becomes more familiar with these concepts and aware of their benefits.

Although some submarkets are being watched within certain product types, most submarkets will have growth potential for most, if not all, product types given the projected increases in the number of senior households. High occupancy rates and rapid absorption in owner-occupied housing indicates pent-up demand exists in nearly all markets with the potential to develop additional product throughout the Metro Area. While some submarkets could experience saturation in owner-occupied product over the short-term, because of overbuilding, we believe this will likely be temporary, as the demand for owner-occupied housing should continue to grow as the population ages.

Given a slowdown in construction relative to the last 10 years, the demand for Congregate and Assisted Living housing should remain strong, especially in developments where a continuum of care exists since the independent components feed into the more service-intensive components. Also, the increasingly competitive market will likely create a need to update older developments in response to the market's changing needs and preferences.

The greatest potential over the next two decades will be for developments that cater to the active lifestyles of aging baby boomers. New construction should satisfy much of the demand, but potential also exists to convert other housing developments to senior housing as the population ages. Older rental or condominium buildings with a majority of studio and one-bedroom units may be reconfigured to have larger one-bedroom or two-bedroom units and/or may need to reposition themselves by adding services to meet the needs of residents as they age in place. Also, the market for moderately-priced senior housing is substantial, particularly for core city neighborhoods as well as for Affordable product that would offer support and personal care services.

Maxfield Research Inc.

615 First Ave. NE, Suite 400

Minneapolis, MN 55413

Phone: 612.338.0012

www.maxfieldresearch.com

Mary C. Bujold, President

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